## Memorandum



Date:

October 5, 2007

RCA

Agenda Item No. 7(B)

To:

Honorable Chairman Bruno A. Barreiro and Members.

Board of County Commissioners

From:

George M. Burges

County Manager

Subject:

Carnival Center Monthly Status Report

As requested by the Board, provided herewith (Attachment 1) is the first monthly financial status report provided from the Carnival Center for the Performing Arts (Carnival Center). This report was requested by the Board as part of the approval of the additional \$4.1 million allocated to the Carnival Center in the midyear supplemental budget to cover shortfalls in facility occupancy costs. The Board also requested an amendment to the Operating Management Agreement between Miami-Dade County and the Performing Arts Center Trust, Inc., to provide for oversight of Carnival Center operations by the County. While working with the County Attorney's Office to insert the oversight provision into this Agreement, it was found that there are several provisions that need to be corrected to more accurately reflect the County's current financial and operational relationships with the Performing Arts Center Trust, Inc. My Office is working with the County Attorney's Office to update this agreement for Board approval. Nevertheless, oversight of Carnival Center operations continues by my Office, as well as by the Commission Auditor.

My staff continues to work closely with Carnival Center staff on controlling occupancy costs. The additional funding approved by the Board is being monitored closely, with monthly invoices submitted to the Office of Strategic Business Management for review and approval. It is expected that due to cost savings measures such as negotiation of natural gas, janitorial, and maintenance and landscaping contracts, occupancy costs at the end of Fiscal Year 2006-07 are projected to close at \$7.755 million versus the allocated amount of \$7.854 million. This savings is expected to continue into FY 2007-08 as the Carnival Center continues to negotiate occupancy-related costs with contractors and work with gas, electrical, and water service providers to ensure the current rate structures are the most beneficial for the Center.

The attached report from the Carnival Center provides an update on their operations as well as a spreadsheet (Attachment 2) detailing FY 2006-07 revenues and expenditures by month, and, an end-of-year projection. As shown in Attachment 2, and explained in detail in Attachment 1, there is a projected \$2.478 million shortfall for FY 2006-07, resulting primarily from lower ticket sales, which, in turn, led to lower revenues in box office fees, parking, concessions, and merchandise sales. It is important to point out that this deficit was not tied to occupancy costs (County funding). Carnival Center projections accompanying the mid-year supplemental budget ordinance did cite ticket sales as a concern. However, those projections also assumed that rentals and special events would mitigate for slow ticket sales. These assumptions did not materialize.

Separate and apart from occupancy costs, per the operating agreement with the Carnival Center, a \$1.5 million debt service payment for construction-related debt incurred by the County is due on October 1, 2007. It has come to my attention that funding will likely not be available from the Carnival Center to make this payment to the County on time. A letter was sent to the Carnival Center (Attachment 3) dated September 12, 2007, reminding the Carnival Center of this obligation and allowing until year-end to make this payment.

Assistant County Manager

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## **MEMORANDUM**

TO:

George Burgess

County Manager

FROM:

Michael C. Hardy

President and CEO

SUBJECT:

Carnival Center for the Performing Arts Status Report

DATE:

September 20, 2007

As requested by the Board on June 26, 2007 under Ordinance 07-83 the Carnival Center for the Performing Arts will submit monthly status reports. The report will provide a monthly overview as it relates to the Center's Operations, including occupancy costs, ticket sales, marketing campaigns, revenue and expense projections, and any challenges that may be on the horizon. On June 26, 2007 the Board also requested the Center to amend the Operating Management Agreement with the County that grants the right to oversight to the County. In July, the Performing Arts Center Trust's Board (PACT) unanimously approved this amendment and it is currently in the Office of the County Attorney for review. The Office of the Commission Auditor had an initial meeting with Carnival Center staff on August 1. The audit process is underway and will be ongoing.

The change in the Carnival Center projections for operations from the mid-year report to the August report was primarily due to an 18% (\$1.431 million) decrease in projected ticket sales revenue. Ticket sales projections for performances presented by Carnival Center were budgeted at 65% sold however actual ticket sales through August were at 43%. These lower ticket sales resulted in an 18 to 20 percent decrease in the related areas of Box Office Fees, Parking Revenue, Concessions Revenue and Merchandise Sales. As a result, total projected revenues decreased by 17% (\$3.447 million). In response to the lower than anticipated revenues Carnival Center reduced expenses by almost \$1 million, resulting in the current projection of (\$2.478 million). Each month the decline in both actual and projected revenues was reflected in Carnival Center's financial reports.

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Several actions have been undertaken to mitigate similar risk in the upcoming season.

- Carnival Center has reduced the number of performances that it will present in half.
- Carnival Center has made more conservative estimates of projected ticket sales and lowered projected expenses to decrease risk
- The Marketing Department has been reorganized under a new Chief Marketing Officer.
- An effort to program shows in the second year that are similar to shows that had more success in the inaugural season.

As the Board is aware on July 9-10, 2007, Mr. Michael Kaiser from the John F. Kennedy Center for the Performing Arts toured the Center and spent two days with the Center's executive staff to share experiences and to provide consultation as to moving forward. This was an initiative that was spearheaded by the Board and it was a positive and informative process. Carnival Center is actively exploring joining the Partners in Education Program of the John F. Kennedy Center for the Performing Arts. This is designed to assist arts and cultural organizations throughout the nation develop and/or expand educational partnerships with their local school systems. The purpose of the partnerships is the establishment or expansion of professional development programs in the arts for all teachers.

Representatives of AMS Planning and Research have started their review and have conducted two site visits. The firm has been hired by Miami-Dade County to provide insights into the operations of the Center going forward and compare those operations procedures to typical industry practice.

The draft of the Center's 2007-2008 business plan was finished in August. The plan includes each division's accomplishments, goals, strategies and challenges. The plan will be reviewed by several PACT committees, the Trust and Foundation Boards and County staff before it is presented to the BCC. Organizational goals for 2007-2008 include:

- Meeting and exceeding budget targets in order to make up for any shortfalls in the current year. This will be accomplished by increased ticket sales, improved utilization, and increased private sector funding while controlling occupancy costs.
- Maximizing effectiveness and stability of all aspects of operations. This
  goal includes improving customer service and related systems and
  reaching a final agreement on a permanent parking solution.



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 Serving a larger and broader sector of patrons. This goal includes attracting a greater number of patrons reflective of Miami-Dade County's multi-lingual, multi-ethnic population.

Key aspects of the business plan address several concerns raised by members of the Board at the June 26 meeting. Those include:

- A marketing plan that includes specific strategies to reach the diverse communities within our market and expands the use of web site and viral marketing initiatives.
- Staff diversity initiatives to develop a staff composition that better reflects the demographics of the Miami-Dade County census.
- Strategies to increase private sector funding. The Performing Arts Center Foundation will contribute \$3.5 million of private sector funds towards the center's operations, a 30% increase from the first year. The 2007-2008 annual fund program includes memberships, sponsorships and grants and a fundraising gala.
- A deficit reduction plan that includes cost cutting measures to control occupancy costs.

Staff will use several measures to gauge success. A primary evaluation measurement will be financial performance as compared to budget. Industry standard operating benchmarks and financial ratios will also be used as key performance indicators. Throughout the coming year the business plan will be reviewed monthly and reports will be submitted to the Center Boards as well as to Miami-Dade County.



Monthly Revenues and Expenditures and End of Year Projection for Fiscal Year 2006-07 ( in thousands)

			-			Actual								
	0	;	;			!						Sept 07	FY 2006-07	FY 2007-08
	90 100	90 AON	Dec 06	Jan 07	Feb 07	Mar 07	Apr 07	May 07	Jun 07	Jul 07	Aug 07	Proj.	EOY Proj.	Budget
Revenue														
Ticket Sales	\$554	\$204	\$1094	\$727	\$210	\$2 841					G			0.046
Rental Revenue	\$199	\$365	\$662	\$543	\$514	\$1.080					00°			44,838
Facility Chargebacks (1)	\$0	\$0	\$	80	\$0	90					+ C			43,030
Box Office Fees	\$106	\$198	\$161	\$101	\$161	\$246					\$16			82,680
Parking Revenue	\$122	\$109	\$101	\$77	\$112	\$142					90			\$1,320
Concessions	\$31	\$13	\$16	\$52	\$52	\$37	\$21	\$30	\$11	\$	\$25	\$25	\$294	\$500
Merchandise Sales	\$1	\$1	\$4	\$1	\$3	\$13					80			\$50
Foundation Subsidy	\$185	\$186	\$186	\$186	\$186	\$185					\$186			\$3.500
Other Revenue	\$2	\$16	\$11	\$8	\$30	\$223					\$3			\$148
County Funding for Occupancy Costs (2)	\$313	\$313	\$313	\$313	\$313	\$313					\$555			\$8.852
Total Revenue	\$1,513	\$1,405	\$2.548	\$2.008	\$1.581	\$5.080					6786	2	•	606 600
Expenses														
Salaries and Benefits - Non-Stagehands	\$403	\$410	\$535	\$564	(\$215)	\$553		\$382	\$368		\$405		\$4 297	
Salaries and Benefits - Stagehands	\$47	\$13	\$24	\$34	\$657	\$528		96\$	\$110		\$82		\$1807	
Marketing and Communications	\$114	\$132	\$188	\$318	\$141	\$380	\$443	\$182	\$67	\$4	\$2	\$82	\$2,056	
Event Expenses	\$504	97	\$1,215	\$1,091	\$666	\$2,928		\$488	\$186		\$16		\$7.879	
Professional Services	\$58		\$120	\$123	\$74	\$67		\$56	\$15		\$40		\$859	
Fulfillment Costs and Comp Tickets	\$26	\$8	\$3	\$15	\$51	\$35		(\$20)	25		\$38		\$192	
Show/Event Parking Services	\$89		\$237	\$73	\$113	\$129		\$75	(\$15)		\$0		\$851	
Administration & Overhead	\$94	₩	\$140	(\$25)	\$87	\$61		\$153	\$67		\$48		\$995	
Depreciation Expense	£3	\$	\$4	\$2	\$2	24		24	\$7		\$7		\$70	
Capital Expenses	<b>\$</b>	\$0	<b>\$</b> 0	\$0	\$0	\$0		<b>\$</b>	\$0		\$		\$0	
Debt Service Commitment	<b>\$</b>	\$0	\$0	\$0	<b>\$</b>	\$		\$0	\$0		\$		0\$	
Occupany Costs (County funded)	\$493	<u>\$666</u>	069\$	\$927	\$593	\$732		\$635	\$481		\$555		\$7.755	
Total Expenses	\$1,831	\$1,721	\$3,156	\$3,125	\$2,172	\$5,420	\$2,	\$2,054	\$1,293	Š	\$1,193	\$1	\$26,761	\$26,622
Charamis Surpins (Dencin) (3)	(3578)	(9210)	(3008)	(\$1,117)	(\$291)	(\$340)	(2860)	(346)	\$2,306	(\$181)	(\$407)	0\$	(\$2,478)	20

<sup>(1)</sup> This was originally included in Rental Revenues and includes charge backs to shows on event-related items (2) Includes supplemental funding of \$4.1 million approved on June 26, 2007 (Ord. 07-83)

(3) Projected operating deficit (\$2.478 million) is due to Camival Center Operations and not Occupancy Costs funded by the County



ADA Coordination Agenda Coordination Animal Services

Art in Public Places

Audit and Management Services

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Community & Economic Development

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Consumer Services
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**Emergency Management** 

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Park and Recreation

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Police

Procurement Management

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Public Works

Safe Neighborhood Parks

Seano

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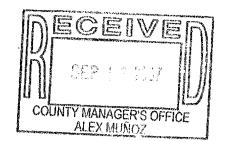
Team Metro

Transi

Task Force on Urban Economic Revitalization

Vizcaya Museum And Gardens

Water & Sewer



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miamidade.gov

September 12, 2007

Mr. Michael Hardy CEO/President Carnival Center for the Performing Arts 1300 Biscayne Blvd Miami, FL 33132

Re: Operating Agreement Commitment

Mr. Michael Hardy:

As my staff continues to work closely with your organization, it has come to my attention that the Performing Arts Center Trust's debt service repayment obligation for construction as stated in the Operating Management Agreement may not be available.

As per Amendment No. 5 to the Performing Arts Center Operating Management Agreement and as noted in Change Order #85 (R-354-06) to the Carnival Center construction project, the Trust agreed to fund \$1.5 million per year beginning October 1, 2007 and continuing for twenty (20) years for a total of \$30 million.

It is imperative that the Trust honor this commitment and make this debt service payment by year-end.

George M. Burgess County Manager

c: Honorable Carlos Alvarez, Mayor

Denis Morales, Chief of Staff, Office of the Mayor

Parker Thompson, Chairman, Performing Arts Center Trust

Ricky Arriola, Performing Arts Center Trust

Ron Esserman, Chairman, Performing Arts Center Foundation

√Alex Muñoz, Assistant County Manager

Jennifer Glazer-Moon, Director, Office of Strategic Business Management

Rachel Baum, Director, Finance Department

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